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Personnel Activities in American Business¹

SINCE THE beginnings of the modern conception of employer-employee relations a constant experimentation has been going on in an effort to discover the most effective agencies for implementing a company's policy in relations with employees, and the end of this experimentation is not in sight. Various activities have been devised to meet particular situations or problems in particular companies, and when they have seemed to work out advantageously their use has spread to other companies. Some activities, after attaining considerable popularity because of apparent value, have developed weaknesses which have caused their use on a large scale to be discontinued. In some cases legislation has necessitated the elimination of personnel activities. Labor unions have sometimes been instrumental in bringing about the displacement of certain company policies affecting employees. Other activities have maintained a relatively stable status through good times and bad.

Behind this ever-changing pattern of personnel activities has been an evolution in thinking and attitude toward the broad question of employer-employee relations. During and just after the World War there was a period of rather indiscriminate indulgence in "welfare" activities. A critical shortage of competent labor caused employers to bid against each other for the available supply. Labor, conscious of its strategic position, forced wages steadily upward. But even the payment of high

wages was no insurance against the loss of valuable employees. Employers, therefore, began the practice of offering additional advantages calculated to make employment in the particular company attractive.

When business entered the depression of the early twenties these welfare activities were frequently dropped as hastily as they had been adopted, not only because it was necessary to curtail operating expenses, but because labor was plentiful and there was no longer any need to offer special inducements to hold employees. This hurried jettisoning of welfare activities provided the clearest indication of the light in which they were regarded by management at that time. As emergency expedients they had perhaps been useful, but they had demonstrated no right to a place in the company's budget when curtailment became necessary.

As business recovered from the depression of 1920-1922 and went on to new records of manufacturing accomplishment, the problem of employer-employee relations again became prominent. This time, however, the question of personnel activities was approached with more deliberation and thought for the future. There was less wishful grasping for some immediate and complete answer to a pressing need and more careful planning toward the building of company morale on a solid foundation. Mutuality of interest and benefit was stressed. The company "hand-out" type of activity or program was increasingly replaced by the joint collaboration type. The contributory principle applied to such activities as group insurance and pensions gained in favor because financially and psychologically it seemed better adapted to American conditions.

¹A digest of a report under the same title published by THE CONFERENCE BOARD in March, 1940, *Studies in Personnel Policy No. 20*, based on information furnished by 2,700 companies with 4,986,853 employees.

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A third phase in the development of industrial relations policies resulted from the changed status of labor, brought about by the National Industrial Recovery Act and the National Labor Relations Act. In some companies no change was necessary other than perhaps technical adjustments to comply with new legal requirements. In many other companies, however, labor conditions brought home for the first time the importance of the industrial relations problem and the need for creating a close and understanding relationship between management and the working force. As was inevitable, some companies began an indiscriminate introduction of employee activities that had seemed to work well in other companies, unaware that it is not the activity but the policy or spirit of which it is the manifestation that make it successful where it is successful. Employees became more articulate in requesting the introduction of plans that were particularly attractive to them. In unionized companies unions pressed for certain activities, particularly paid vacations for wage earners. All in all, there was a new and greater interest in plans for company-employee collaboration in making the employment relationship more cordial and more productive of economic advantage to both.

NEED FOR TRACING TRENDS

From time to time THE CONFERENCE BOARD has made rather extensive studies of the prevalence of personnel activities to note changes that were taking place. The first of these was in 1927, the second in 1935, and the most recent has just been completed. The value of these studies lies in their indication of changing emphasis placed on certain characteristics of personnel policy. Those charged with responsibility for industrial relations administration are naturally interested in following the constant evolution that is taking place. Data showing prevalence of personnel activities suggest how similar problems of particular companies are to those in other companies. It is helpful to know whether activities recently adopted or perhaps being considered are fairly general or are more or less unique; whether certain activities appear to be particularly characteristic of large-scale or small-scale operation; whether other companies in an industry have adopted various kinds of plans.

A broader social value lies in the demonstration of what employers are voluntarily doing for their employees. It suits the purposes of some individuals and groups to try to create the impression that the average American employer is a very hard-boiled and conscienceless person to whom his employees are so many impersonal automatons who should be driven to the limit of their endurance and for whose well-being the employer has not the least concern. The only hope of employees, according to these enemies of the free enter-

prise system, is the government, which must extend its beneficent and paternalistic activities to protect and sustain the helpless worker. The emotional appeal of this propaganda is considerably deflated when the facts are brought out.

The present survey of the prevalence of personnel activities includes returns from 2,700 companies. Manufacturing industries accounted for 82% of these, but the other 484 companies brought to the study substantial representation in banking; insurance; public utilities furnishing gas, electricity, communication, and transportation; mining; petroleum refining and wholesale and retail mercantile establishments. The aggregate employment of the 2,700 companies was 4,986,853.

All sizes of companies were represented. Nearly 10% of the reporting companies employed fewer than 100 persons, while at the other extreme 3% employed over 10,000. The point of greatest density was the 250-999 group, with 40% of all reporting companies falling within this classification.

In considering figures obtained in this survey two facts should be borne in mind: first, the results of the survey will necessarily reflect a situation somewhat above the true average for all industry and business because it is the more progressive companies that are willing to cooperate in such a study, and, second, the fact that a particular activity is in operation in a company does not necessarily mean that it applies to all employees of the company. Employment figures, therefore, show the number of persons employed in companies that have particular activities and not the number of persons who necessarily are directly affected by the activity.

WHAT THE STUDY INDICATES

In the space available here it is possible to call attention to only a few of the highlights of the study. The accompanying table indicates how generally some of the better known activities were found to exist in the group of 2,700 companies covered. Complete information in summary form, as well as classified by industry and by size of establishment, will be found in the report.

Employer-Employee Dealings

Perhaps the most significant change from 1935 to 1939 is the marked increase in the extent of collective dealing. In 1935 trade union agreements were reported by 11.7% of reporting companies, while in 1939, 56.8% of the 2,700 companies were dealing with nationally affiliated or independent labor organizations. In 43.4% of the companies there were signed union agreements. Union contracts covering salaried employees were in force in 257, or 9.5%, of the companies. In nearly a third of the establishments seniority regulations were incorporated in union agreements. The closed shop was in effect in 10.9% of the companies, the check-off in

PREVALENCE OF SELECTED EMPLOYER-EMPLOYEE ACTIVITIES

	Companies		Employees in Companies	
	Number	Per Cent of 2,700 Companies	Number	Per Cent of 4,986,853 Employees
Individual dealing only.....	1,167	43.2	899,303	18.0
Collective dealing with:				
A.F.L. union.....	788	29.2	2,522,785	50.6
C.I.O. union.....	543	20.1	1,807,362	36.2
Independent union.....	418	15.5	2,237,598	44.9
Other unions or groups.....	119	4.4	725,966	14.6
Union agreement covering:				
Hourly-paid employees.....	1,210	44.8	3,331,501	66.8
Salaried employees.....	257	9.5	1,321,541	26.5
Signed union agreements.....	1,172	43.4	3,412,745	68.4
Preferential employment provision	173	6.4	486,239	9.8
Closed or "union shop".....	295	10.9	526,747	10.6
Check-off.....	126	4.7	312,371	6.3
Five-day week, plant.....	1,819	67.4	3,046,231	61.1
Five-day week, office.....	1,269	47.0	2,662,874	53.4
Some holidays with pay to:				
Salaried employees.....	2,403	89.0	4,357,471	87.4
Hourly-paid employees.....	384	14.2	1,165,673	23.4
Vacations with pay to:				
Salaried employees.....	2,533	93.8	4,789,905	96.1
Hourly-paid employees.....	1,254	46.4	2,850,831	57.2
Profit-sharing plan for:				
All employees.....	158	5.9	363,666	7.3
Key employees.....	229	8.5	340,025	6.8
Executives only.....	248	9.2	553,169	11.1
Dismissal compensation (formal plan).....	194	7.2	1,051,955	21.1
Credit union.....	617	22.9	2,137,996	42.9
Stock purchase plan for:				
All employees.....	118	4.4	265,190	5.3
Executives only.....	104	3.9	179,938	3.6
Group life insurance.....	1,641	60.8	3,453,492	69.3
Group health and accident insurance.....	924	34.2	1,907,911	38.3
Mutual Benefit Association.....	602	22.3	1,798,872	36.1
Group hospitalization plan.....	949	35.1	2,179,949	43.7
Training program for:				
Foremen.....	506	18.7	2,124,386	42.6
Production workers.....	284	10.5	1,215,610	24.4
Apprentices, indentured.....	311	11.5	1,323,395	26.5
Apprentices, non-indentured.....	331	12.3	1,341,478	26.9
Pensions (formal plan).....	350	13.0	1,829,957	36.7

4.7%, and preferential employment arrangements, which give the union the first opportunity to provide applicants to fill vacancies, in 6.4%.

Working Schedules, Holidays and Vacations

The five-day week is more common in plant operation than in offices. It applies to wage earners in 67.4% of the companies, but to office employees in only 47.0%. Figures for 1935 were 57.3% for wage earners, and 45.3% for office employees. Salaried employees are paid for holidays when the office is closed in 89% of the companies, while in 14.2% hourly-paid employees are paid for some holidays when the plan is not operating. Another significant change from 1935 is in the matter of vacations with pay for wage earners. From 17.9%

of companies providing this privilege in 1935 the proportion jumped to 46.4% in 1939.

Compensation Methods and Financial Incentives

The straight-time method of wage payment still preponderates, but 51.7% of the companies have incentive plans applying to productive workers, and incentives for office employees are in effect in 4.8% of the companies. A little over a quarter of the companies have suggestion systems that offer rewards for usable ideas. The most common type of special bonus is the Christmas bonus, which is given by 21.7% of the companies. Profit-sharing plans applying to all employees are found in about 6% of the companies, but such plans with limited participation are more general. They apply to key employees in 8.5% and to executives only in 9.2% of the companies. Wage administration techniques are coming into greater use. Job evaluation has been undertaken by 13.3% of cooperating companies. Time studies are used in 40.7%, and motion study in 13.6%.

Employee Security

Evidence of intensive effort to increase employee security is indicated by the fact that 333 companies report definite plans for stabilizing employment; 40 have annual-wage plans, and 32 give a guarantee of employment in some form. Formal dismissal compensation plans are in effect in 7.2% of the companies. Notwithstanding enactment of the Federal Social Security Act, formal pension plans are in force in 13% of the companies, as compared with 10.3% in 1935. Informal pension plans under which retirement allowances are granted at the discretion of the company and according to conditions surrounding individual cases are reported by 686 additional companies.

Group life insurance maintains its position as one of the most universal personnel activities, being reported by 60.8% of the cooperating companies, as compared with 58.7% in 1935. Group sickness and accident insurance has gained from 30.7% in 1935 to 34.2% in 1939. Mutual benefit associations, on the other hand, have declined in number. In 1935, 28.2% of the companies reported the existence of these employee associations, but the proportion dropped to 22.3% in 1939. A new activity that has made tremendous strides is the group hospitalization plan. In 1939, 949 cooperating companies, or 35.1% of the total, reported that plans of this character were available to their employees.

Of the various plans for promoting employee thrift and aiding the employee in his personal financial problems, the credit union seems to be considerably the most popular. It was reported in existence in 617 companies (22.9%). Company thrift plans were operating in 3.3% of the companies, and thrift clubs with bank cooperation in 7.6%. Plans for purchase of company stock by

employees have been considerably less popular since the depression. In 118 companies such plans were open to all employees and in 104 companies to executives only.

Training

The training programs of companies were analyzed in considerable detail. It was found, for example, that such programs were designed for the development of top executives in only 5.3% of the companies, while intermediary supervisors were the objective in 14.4%, and direct supervisors in 18.7%. Somewhat surprisingly, training was planned for production workers in only 10.5% of the companies, but the fact that these employed practically a quarter of all employees covered indicates that it was the larger companies that participated in this activity. Indentured apprentices were trained in 11.5% of the companies, while an almost equal number (12.3%) had non-indentured apprentices. Some form of employee publication was issued by 454, or 16.8% of the companies, and employee rule books were published by 18.1%.

Miscellaneous Activities

A wide variety of activities and services have been developed to make available to employees facilities for

recreation and enjoyment that might not otherwise be available to them. Among the most popular are sports activities. Nearly half of the companies sponsored athletic teams. In 481 companies there were social clubs of one kind or another, and 153 companies encouraged the development of hobbies. Company get-togethers in the form of picnics and outings were featured in 37.4% of the companies. Other activities that were found quite generally include cafeterias or restaurants in 709 companies, service emblems in 452 companies and plans for making available to employees economical purchasing through arrangements with the company purchasing department, reported by 726 companies.

This study gives some idea of the wide range of employer-employee activities in effect in American business and industrial establishments. The extent of participation, particularly in the case of activities that involve a considerable financial outlay on the part of the management, hardly substantiates the claim that management is not concerned with the interests of employees. On the contrary, a picture is presented of joint effort to work out a basis of employment relations that will benefit all concerned.

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Clerical Salaries and Wages in Manufacturing Industry, 1937

FIGURES THAT have been used to compare wages in a general way at different dates, in different parts of the country, and in different industries, have been derived from the census of manufactures by dividing the amount paid as wages by the average number of wage earners. The quotient may be designated as average annual compensation or as annual labor cost per wage earner. Apart from the usual qualifications inherent in all computations of average earnings, this particular average is deemed an inadequate measure of the average earnings of the full-time worker because an average of the number on the payroll is likely to be larger than an average of the persons actually at work. Notwithstanding these various qualifications, the figures serve a useful purpose in certain rough comparisons. The merit of such figures is their comprehensiveness. Whereas the wage data used in economic discussions are usually based on sample groups, these figures embrace *all* manufacturing industries, *all* the workers in such industries in a given state, or *all* the workers in a given industry or industry group throughout the United States.

A parallel figure, the average annual compensation of salaried workers computed in a similar manner, is less satisfactory. This is not because of a similar uncertainty in the number of workers—clerical payrolls are more constant than wage earners' payrolls, and occasional absences do not result in payroll deductions. The objection to this average is that it embraces such a wide variety of occupations and salary levels, ranging from the president of the corporation to the office boy.

Classifications of the salaried employees of manufacturing establishments, presented for the first time in the report of the census of 1937, permit the calculation of average annual compensation for different types of salaried workers as well as that of wage earners, shown in Table 1.

In addition to the figures for the United States as a whole, averages have been computed for the principal manufacturing states, employing over 300,000 wage earners. The sequence of states follows the size of the averages for all salaried persons.

The average compensation of salaried persons is approximately double that of wage earners. This aver-

TABLE 1: AVERAGE ANNUAL COMPENSATION IN MANUFACTURING INDUSTRY, 1937¹

In Dollars

Area	Salaried Persons Average Compensation				Wage Earners	
	Total	Salaried Officers	Super- vision	Clerical and Other Non- Supervi- sory Em- ployees	Average Number	Average Compen- sation
United States.....	2,232	5,489	3,018	1,475	8,569,231	1,181
Michigan.....	2,406	6,733	3,241	1,648	660,676	1,494
Ohio.....	2,334	6,399	3,211	1,596	694,205	1,379
New York.....	2,327	5,095	3,377	1,496	995,658	1,241
Illinois.....	2,316	6,318	3,204	1,528	668,841	1,290
New Jersey.....	2,310	5,860	3,291	1,563	436,745	1,199
Pennsylvania.....	2,308	6,074	3,104	1,561	954,340	1,233
Massachusetts.....	2,259	5,947	2,979	1,418	496,036	1,121
Indiana.....	2,145	5,749	2,926	1,448	313,342	1,283
California.....	2,050	5,065	2,892	1,438	302,189	1,288

¹See Biennial Census of Manufactures, 1937, Part I, p. 1634, for original data pertaining to salaried persons, p. 20 for data relating to wage earners.

age, however, includes the officers of corporations and supervisory officials as well as the clerical workers who are more closely comparable to the wage earners. The average for the latter group is close to 25% greater than that for the wage earners.

Among the nine states specified in the table the averages computed for all clerical workers and for each specified group are generally higher than the United States average. California, however, falls below the average in all classifications. Indiana and Massachusetts are lower than the average for supervisors and clerical workers. New York has lower than the average compensation for salaried officers.

The order in which the states appear when ranked as in the table by the average of all salaried workers would be changed comparatively little if they were to be ranked by the averages in any of the three specified occupational groups.

In the specifically clerical group, which is of greater interest because of its large numbers, the range of averages is comparatively slight among the nine states shown in the table. At the maximum, in Michigan, the average is 11.5% above the national average; at the minimum here shown, in Massachusetts, it is 3.9% below that average. The difference between the computed annual compensation of clerical workers and wage earners for the United States is \$294, for New Jersey, which has the largest difference, \$364, and for California, which has the smallest difference, it is \$150. Michigan has the highest average for clerical workers, which is \$154 more than for wage earners; Massachusetts has the lowest average for clerical workers, which is \$297 more than that for wage earners. Among the

TABLE 2: AVERAGE ANNUAL COMPENSATION IN THE CENTRAL ADMINISTRATIVE OFFICES OF MANUFACTURING INDUSTRY, 1937¹

Area	Salaried Persons Average Compensation				Wage Earners Average Compensation
	Total	Salaried Officers	Supervisory Em- ployees	Clerical Em- ployees	
United States.....	\$2,983	\$13,074	\$5,504	\$1,790	\$1,362
Michigan.....	3,377	17,437	5,610	2,254	1,912
Ohio.....	2,879	13,090	5,918	1,831	1,353
New York.....	3,047	14,989	5,869	1,856	1,344
Illinois.....	3,203	14,678	5,727	1,843	1,417
New Jersey.....	3,296	13,457	4,974	1,928	1,160
Pennsylvania.....	3,010	13,395	5,751	1,838	1,215
Massachusetts.....	3,087	12,392	4,806	1,505	1,170
Indiana.....	3,275	8,806	5,588	1,439	845
California.....	2,954	12,257	5,004	1,718	1,423

¹See Biennial Census of Manufactures, 1937, Part I, p. 1652 for original data on which averages are based.

states listed, Michigan has the highest, Massachusetts the lowest average for wage earners.

It is to be noted that among the states named the range of variation for wage earners is greater than for clerical workers. It runs from about 26% above the national average for Michigan to 5% below that average for Massachusetts.

Allusion was made at the outset to the varied influences that affect such averages as have been discussed. An excellent exemplification of the fact may be found in averages computed for the central office employees of manufacturing industries, who are not included in Table 1. The corresponding averages for such central office employees are shown in Table 2.

In this table we can trace the effect of two principles of selection, the size of the enterprise and the location of the offices. It is obvious that in the main the enterprises that have central offices are the larger enterprises, whose officers and supervisors have greater responsibilities than the average. This is revealed in the marked difference in the average compensation here computed, for these officials, from that shown in Table 1. There is, however, no particular reason to suppose that the clerical duties in such offices require greater skill than in factory offices generally. No reason for higher compensation can be found in the size of the enterprises. The cause lies rather in the fact that these offices are located in the larger cities. It is generally true that labor of a specified grade in cities is paid more than in smaller places. This is strikingly evidenced in the testimony of the two tables regarding wage earners. Such employees in the central offices are necessarily of the group known as handy men rather than skilled workers. Though their average skill is undoubtedly less than that of the mass of wage earners in manufacturing industry, their compensation is higher.

A Glance at Labor Statistics

Average hourly earnings of all wage earners in 25 manufacturing industries declined very slightly from 72.9 cents in December to 72.7 cents in January. In January, 1939 they were 71.3 cents.

Average weekly earnings of all wage earners declined from \$28.49 in December to \$28.09 in January.

Employment for the first time in five months failed to advance, the index number dropping from 97.0 in December to 96.3 in January.

Average hours of work per week also declined from 39.1 hours in December to 38.7 hours in January.

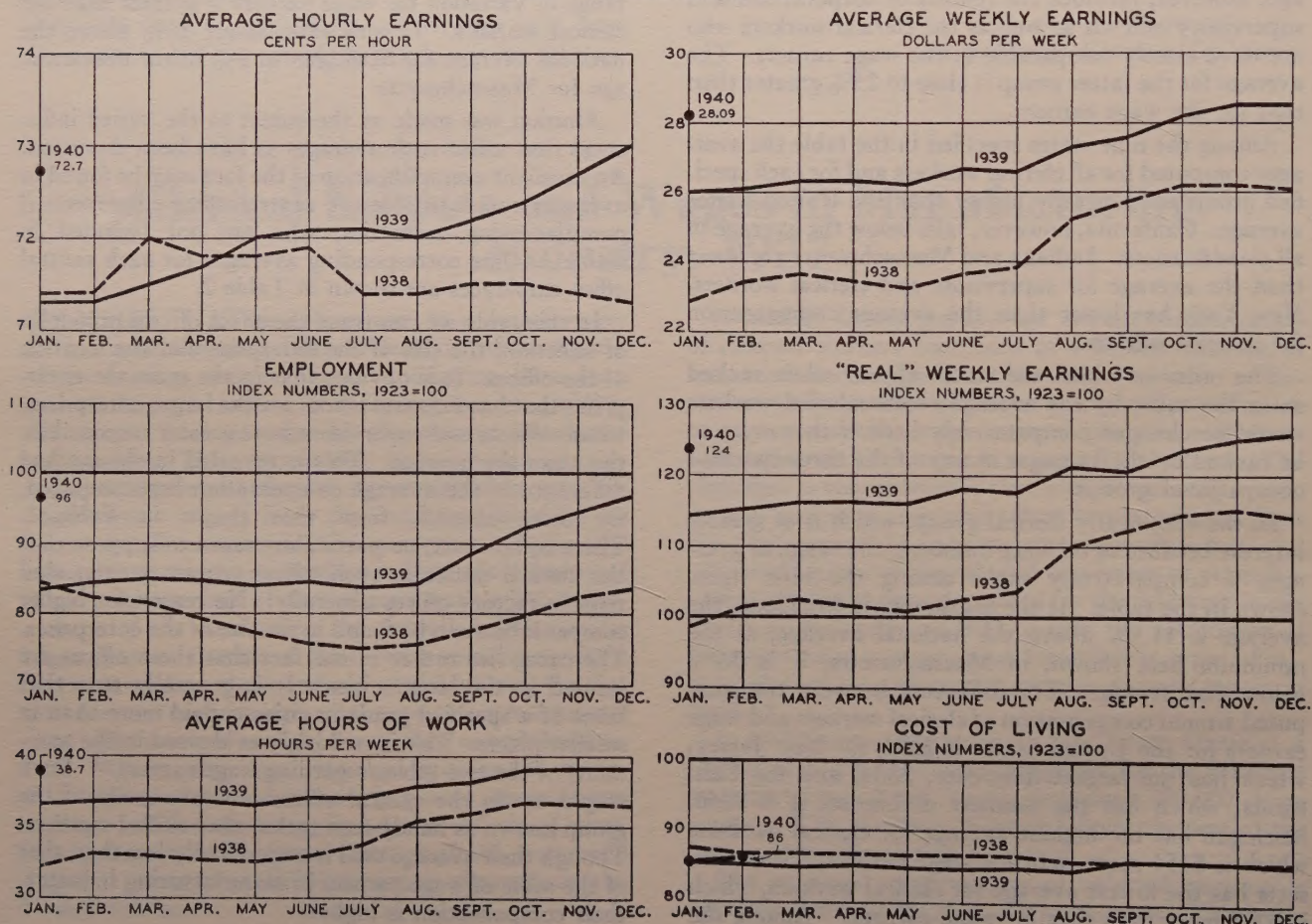
The **cost of living** index remained practically unchanged between December and January, advancing from 85.3 in December to only 85.4 in January. The purchasing value of the dollar, on the basis of the cost of living, was about \$1.17 as compared with \$1.00 in 1923.

Real weekly wages, or the purchasing power of money wages, declined from 125.6 in December to 123.7 in January.

Unemployment rose rather sharply in January, according to the estimates of THE CONFERENCE BOARD, by about 889,000, reaching an estimated total of 9,296,000.

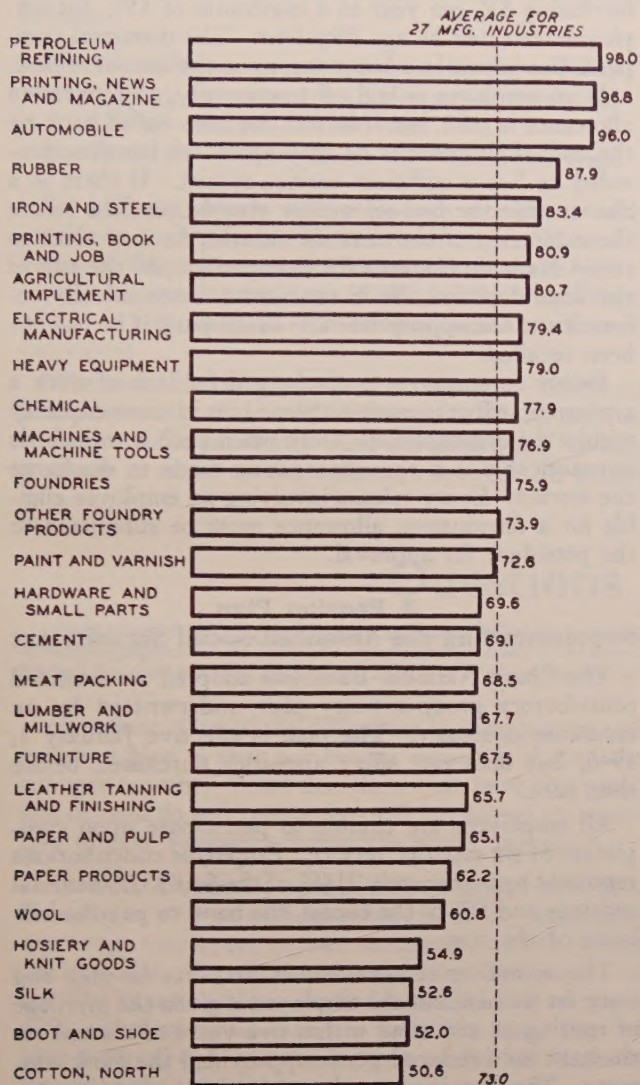
LABOR TRENDS IN 25 MANUFACTURING INDUSTRIES AND THE COST OF LIVING, 1938-1940

Source: THE CONFERENCE BOARD



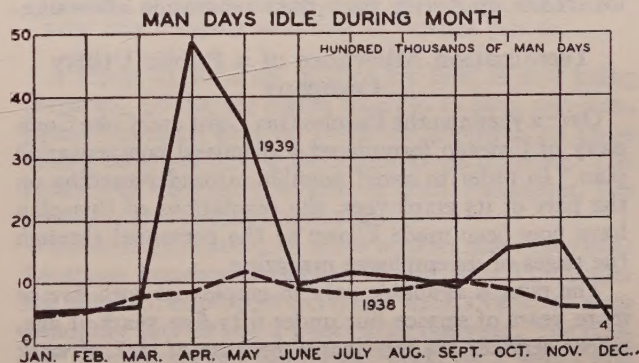
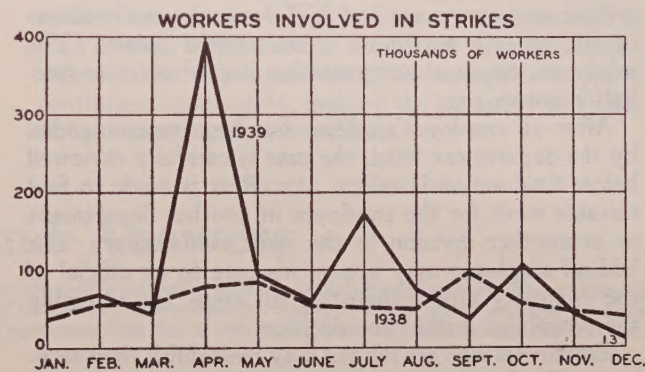
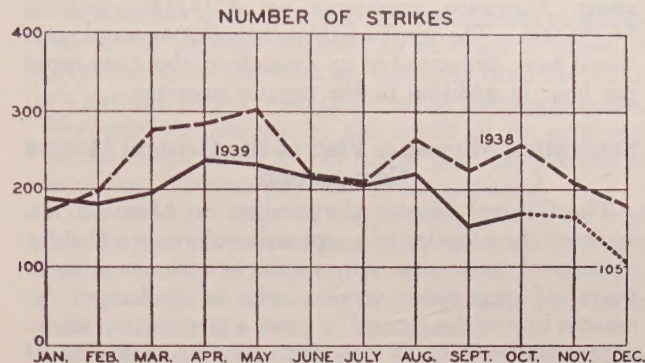
AVERAGE HOURLY EARNINGS IN CENTS 27 MANUFACTURING INDUSTRIES, JANUARY, 1940

Source: THE CONFERENCE BOARD



INDUSTRIAL DISPUTES, 1938 AND 1939

Source: U. S. Bureau of Labor Statistics



Notes on Personnel Administration

Using Facts in Negotiations

WHEN a request for higher wage rates is made it may or may not be justified. If the management believes that the increase cannot be granted this judgment is far more convincing when facts and figures are presented than when the request is simply denied without explanation. A recent request to one company management brought forth the following explanation.

The cost-of-living index in 1931 was 87.2, the basic wage rate was 39 cents per hour, and the composite commodity price was \$1.957. At the date of the request for an increase the cost-of-living index was 85.7, the basic wage rate, 62½ cents per hour, and the composite commodity price, \$2.26. In addition to the marked increase in wages while the cost of living had declined and the commodity price had increased much less than wages, the company contributed in 1939 unemployment

insurance taxes of nearly \$2,500,000, old age pension taxes of \$788,000, vacation pay of \$1,195,000, and paid group insurance premiums of \$318,000, totaling \$4,795,000. The total of these benefits to employees would have amounted to an average of about six cents per hour in addition to the regular earnings.

Separation Allowance Plan of the General Motors Corporation

The General Motors Corporation on March 5 announced the adoption of a separation allowance plan for its salaried employees. Any employee with one or more years' of continuous service, who is discharged for reasons beyond his control, is given a termination allowance equal to 25% of a month's pay for each year of service up to ten years and 35% for each year in excess of ten, up to a maximum of six months' salary. The minimum dismissal compensation is equivalent to one-half month's pay.

After an employee's release has been recommended by the department head, the case is carefully reviewed before final action is taken. An effort is made to find suitable work for the employee in another department or in another division in the same community. The laid-off employee may appeal his case to an official of the company after exhausting all steps for adjusting the complaint within the division.

Employees who are rehired may reestablish their service credits by paying back their separation allowance.

Termination Allowance of a Public Utility Company

Over a year ago the Peoples Gas Light and Coke Company of Chicago formulated a dismissal compensation plan. In order to avoid possible misunderstanding on the part of its employees, the regulations of this plan have now been made known to the personnel through the pages of its employee magazine.

The plan is available only to employees with five or more years of service but under fifty-five years of age, whose services are terminated because of lack of work for any reason whatsoever, and disability. It does not apply to severance of employment due to discharge for cause or resignation.

The amount of termination allowance granted depends upon the length of service and age. The basic termination allowance schedule is as follows:

Total Years of Service	Termination Allowance
5 years.....	$\frac{3}{4}$ of one month's pay
6 years but less than 15 years.....	Above amount increased by $\frac{1}{4}$ of one month's pay for each completed year of service
15 years or more.....	$3\frac{3}{4}$ months' pay plus $\frac{1}{2}$ of one month's pay for each completed year of service in excess of 15

For employees forty-six years of age, the basic termination allowance is increased 5%, the amount of additional allowance given because of the age factor increasing 5% per year to a maximum of 45% for employees released at age fifty-four. The dismissal compensation is paid in a lump sum upon the date of release.

If an employee is laid off temporarily, no separation allowance is paid, but if he has not been called back by the end of six months he may apply for benefits, provided he has a sufficient service record. If there is a chance that the laid-off worker may be recalled before the expiration of the next six months, he may elect to retain his laid-off status for that period. At the end of the second period, he is considered automatically released and the appropriate allowance paid, if he has not been recalled.

Before an employee is discharged for lack of work a systematic effort is made to place him in some capacity within the organization. Only when such a transfer is impracticable is a recommendation made to discharge the worker. Every release involving an employee eligible for a termination allowance must be submitted to the president for approval.

A Pension Plan Supplementing the Amended Social Security Act

The Chase National Bank has adopted an amended contributory group-annuity plan underwritten by an insurance company. The plan is effective January 1, 1940, but does not affect annuities purchased before that date.

All employees are eligible to participate upon completion of six months' service. Employee contributions represent approximately 2½% of the first \$3,000 annual earnings and 5% of the excess, the bank to pay the balance of the cost.

The normal retirement date is sixty-five for men and sixty for women, but the employee is given the privilege of retiring at any time within five years of normal retirement on a reduced pension, provided the bank consents. The annuities purchased by joint contributions of the bank and the employees represent approximately 1% of the first \$3,000 annual salary and 2% of the excess for each year of participation.

Security Wage Plan

Recently, Oneida Ltd. announced the adoption of a new Security Wage Savings Plan, which was adopted chiefly for the purpose of providing greater income security for its hourly and piece-rate employees. Previously the company shared its year-end profits with its employees, but this year a portion of the profits has been put aside in a savings account to be used only to supplement the worker's income during periods when the weekly plant hours fall below thirty-six. As in per-

vious years, only employees with one year's service are eligible to participate.

A portion of the profits are distributed in cash as follows:

Salaried employees: amount determined by responsibility

Weekly-paid employees, power house employees and watchmen: two weeks' Profit Wage

Hourly and piece rate employees: one week's Profit Wage

In addition, hourly and piece-rate employees with service up to five years will receive nine days (72 hours) Security Wage and employees of five or more years' service will receive ten days (80 hours) Security Wage, which is deposited in the savings account of each individual.

Whenever the employee works less than thirty-six hours per week, the payroll department is instructed to withdraw sufficient money from the employee's Savings Account to make up the difference between his actual

earnings and his income for a full forty-hour week until the fund to his credit is exhausted.

In addition to the company's profit-sharing contribution to the Savings Account, all earnings in excess of forty-four hours per week are deducted from the worker's pay and placed to his credit in the Savings Account. Whenever the amount to the credit of an employee reaches a sum equal to 120 hours' pay, the practice of deducting overtime pay will be discontinued.

The Security Wage Savings Accounts may be used only for the purpose of providing the employee with income security in the event of reduced plant operation and cannot be withdrawn for any other reason, including the inventory shut-down of one week.

In the event of termination of service for whatever reason, the amount to the employee's account will be paid in cash immediately. While the plan is effective only for the fiscal year 1940, the company hopes to continue it indefinitely, making the necessary modifications to meet current conditions.

Questions and Answers

An important function of the Management Research Division is to focus the information gathered in its many studies on particular problems confronting associated companies. The Division's services are constantly at the disposal of executives in these companies. Inquiries are, of course, answered promptly by mail, but some questions and answers believed to be of general interest are reproduced from time to time in this section of the MANAGEMENT RECORD.

Question: One of the difficulties in carrying out our vacation plan is that our busiest season is during the summer months. What do others that have this problem do, and do any companies offer employees an incentive to take vacations during the winter months?

Answer: A common practice is to extend the vacation season over several months, and many companies encourage employees to take vacations anytime during the calendar year or during any 12-month period. Of the 210 vacation plans studied in 1939,¹ 139 or about 62% either specified that the vacations are staggered over a period of 6 months or more, or did not limit the length of the vacation season.

Companies which issue a printed statement of their vacation policy, or which have it incorporated in their union agreement frequently insert a clause such as the following:

Vacations will be granted at such times during the year as the Management finds most suitable, considering both the wishes of the employees and the efficient operation of the plant. Vacation dates may be changed by Management in cases where it may be found necessary for efficient operation. * * *

While every effort will be made to meet the employees' desires, a vacation schedule should conform to the requirements of the operations of the plant and should be taken as scheduled by the Plant Superintendent. In

¹Studies in Personnel Policy, No. 13.

instances of periods of temporary shut-downs, the Company may designate such time as vacation periods.

A report of vacation policies for 1940 is now being prepared. Of the 429 replies received to date, two companies indicated that an incentive is offered to those taking vacations during the Winter or early spring. The policy was adopted this year in both companies, but applies only to office employees.

In one organization, all office workers must take their vacations between December 15 and June 15. Under the old plan, employees received 1 week's vacation after 6 months' service and 2 weeks after one year. The present plan allows one additional week, or 2 weeks and 3 weeks respectively, if vacations are completed before April 15.

In the other company, employees on the payroll prior to September 1 are entitled to 2 weeks' vacation, but an additional 3 days are given if their vacation is completed before June 30. Those employed between September 1 and December 1 are given one week and must take their vacation before June 30.

Question: The amended old-age and survivors' benefits of the Social Security Act involve a very decided change from the principles underlying the original act. What changes should the company make in its self-administered non-contributory plan because of these amendments? Specifically, what proportion of the fed-

eral benefits are other companies deducting from their pensions? Inasmuch as the company is paying for half of the federal benefits should only half of the federal pension be deducted, or the full amount, or should the dependents' benefits be deducted as well?

Answer: THE CONFERENCE BOARD is at present making a study of the adjustments to pension plans to take the amended act into account. The survey is not yet completed, but so far information has been received from forty-two of the fifty-one self-administered, non-contributory plans included in the previous study.¹ On the basis of this sampling it was found that twenty-one of these forty-two companies, or 50%, had changed their plans since the revised act became effective, while eight, or 19%, were now in the process of revision. Nearly a third of the concerns, thirteen, had not as yet made any changes in their pension programs because of the amended act.

On the basis of the policies of the twenty-one companies which have recently revised their pension plans it has been found that the majority are deducting the full federal primary benefit from their pension payments, that is to say, the benefit which an employee without eligible dependents would be entitled to under the act. The tabulation of the companies' policies in deducting federal old age benefits are as follows:

<i>Deductions of Federal Benefits from Company Pensions</i>	<i>Number of Companies</i>
Deduct full primary benefits.....	12
Deduct primary and dependents' benefits.....	4
Deduct half of primary benefit.....	1
Give pensions only for service rendered prior to specified date, deduct full primary benefits....	2
Discontinued plan which formerly applied only to employees over 61 on January 1, 1937.....	1
Suspended plan pending final decision as to action to be taken.....	1

Several concerns remarked on the administrative difficulties involved in deducting dependents' benefits from the company's pension and therefore ignored this supplementary income.

It is evident from the above that the non-contributory self-administered plan has not yet been abolished by the federal pension. The delay in making revisions in some of these plans may in a measure have been caused by the fact that the next tax increase will not become effective until 1943 and that ultimately the primary benefit will be less than the pension provided under the original Social Security Act.

Question: We have a Foreman's Club that has been very effective in the past, but interest is beginning to lag a little due to a lack of variety in the program. Can

¹National Industrial Conference Board, *Studies in Personnel Policy*, No. 16, "Company Pension Plans and the Social Security Act."

you, as a result of contacts with other companies, tell us about some types of meetings that have been used successfully?

Answer:¹ Guest leaders from outside the company are often invited to speak or lead discussions, and in many cases they are selected from fields that are not directly related to the foreman's work. Research men from other industries discuss product developments. City managers describe particular municipal situations. Judges give insight into juvenile court procedures and general crime prevention methods. Fire chiefs, detectives and welfare workers, if they can present their material well, all have stories that are of interest and indirectly bear on the supervisor's responsibilities. Executives within the company or in other companies, or association representatives, can often push back horizons for the foreman so he can see more clearly the real significance of his job. Over a period of time, one club invited men from many fields—lawyers, ministers, doctors, and psychiatrists—to talk about their personal insight on the problem of working with other people and gaining creative cooperation.

Moving pictures offer an opportunity for variety. Eastman Kodak Company has a special film service that rents many different types of films. Many companies and associations have industrial films that they are glad to make available. "Shorts" produced by commercial moving picture companies are available at comparatively low prices. If there is a camera available as well as a projector, the possibilities are unlimited. Pictures of the other company plants or of other companies are always interesting to the group when explained by the member of the group who made them. Speeches, skits, discussions filmed by, for and of the personnel of the club are sure to hold attention.

As in any group, the degree of interest is in direct proportion to the degree of participation. In order to include as many members as possible as participators, many clubs have used variations on the discussion method. Panels of group and non-group men are organized to deal with specific subjects and the meeting then opened to general discussion. Typical supervisor-employee interviews are held before the group and then discussed. Industrial and community case-study problems are presented to the group for solution. One club sends two of its members on plant visits each month and then has them report their observations. Quiz contests on all sorts of subjects have been effective means of stimulating interest.

The Foreman's Club, because of its dual purpose of being both entertaining and educational, offers an

¹The following suggestions come from the experience of many different companies. If anyone who reads this answer has found other ways of giving variety to Foreman Club meetings, the Management Research Division would be very much interested in learning about them.

enormous opportunity for a variety of programs, so that the above list is by no means exhaustive. In evaluating the worth of a new method or subject, company experience indicates that the programs remembered longest are those that educate as they entertain.

Question: If a company adopts a group-annuity plan and provides for the purchase of past service annuities by irregular installments, should the entire cost of these annuities, or only current payments, be shown as a liability on the company balance sheet?

Answer: The insurance companies and auditors have discussed this problem at length and have reached the conclusion that only current payments need be shown on the balance sheet. The logic underlying this conclusion is as follows: The group-annuity plans providing for past service pensions ordinarily contain an "escape" clause such as "the employer expects to purchase at its own expense a pension" Thus the company does not assume a binding obligation for the entire cost of past-service annuities but merely promises to purchase them. Therefore, this promise to pay is not a legitimate liability and should not be included in

the balance sheet any more than the wages which may be paid during the next ten or twenty years.

Question: About what is the investment per employee in companies employing from 10,000 to 15,000 people?

Answer: Of course, the investment per employee will vary greatly between companies. The machinery and equipment of some companies is very expensive and often the more expensive it is the fewer employees are required to operate it. Where manual operations predominate equipment is relatively inexpensive.

A sampling was taken of nine companies within the size range mentioned, including two that manufacture heavy machinery and one each manufacturing shoes, food products, petroleum products, glass, chemicals, textiles and tobacco products. Investment was regarded as including capital stock and surplus, bonds and long-term notes. On this basis the average investment per employee was found to range from \$425 in the shoe manufacturing company to \$16,466 in the company manufacturing petroleum products. The average for the nine companies was \$7,039.

Chronology of Events Affecting Labor Relations February 11 to March 10, 1940

February

- 13 *Agreement on General Motors Election*—Representatives of four unions and General Motors Corporation reach agreement paying way for N.L.R.B. elections in 59 company plants to determine employees' wishes with regard to collective bargaining.

Can Board Members Lobby?—Testimony regarding alleged lobbying activities of N.L.R.B. members and employees is referred to Attorney General for a ruling as to whether violation of federal law is involved. Chairman of House Investigating Committee says this action is taken not with idea of prosecuting those involved in this instance but as a warning to all government agencies.

Employer's Interest in Labor Controversy Recognized By overwhelming vote of 117 to 4, New York State Assembly passes Ives Bill making it mandatory for State Labor Relations Board to investigate charges made by employers with regard to the representation of their employees for collective bargaining.

- 14 *R.F.C. Loans Reviewed by N.L.R.B.*—Evidence is brought out before House Investigating Commit-

tee that R.F.C. submitted weekly to N.L.R.B. lists of companies to which loans had been authorized and if N.L.R.B. had issued or intended to issue a complaint against any company on such lists it would request that disbursements under the loan be withheld. Later the Board's final decision would be transmitted to R.F.C. and if employer was judged to be guilty of unfair labor practice N.L.R.B. would recommend that disbursements continue to be withheld.

Unions Forbidden to Discriminate—New York Governor signs act making it a misdemeanor for officials of labor unions to discriminate in any way on racial or religious grounds in connection with union membership or activities.

Progress toward Eliminating Jurisdictional Disputes—Several railroad shop unions (A.F.L.) put into effect new understanding for settlement of jurisdictional controversies. Employers will not be permitted to have any part in settling jurisdictional differences, these matters to be handled by unions themselves, but unions promise that such questions will not be allowed to interfere with work.

February—(Continued)

- 16 *Westinghouse Office Employees Favor Independent Union*—In the largest N.L.R.B. election covering white collar employees so far held, salaried employees of Westinghouse Electric and Manufacturing Company vote 2,136 to 81 in favor of the Association of Westinghouse Salaried Employees as their representative in collective bargaining.
 - 17 *Civil Liberties Union Supports Ford*—American Civil Liberties Union plans court fight in behalf of Henry Ford against N.L.R.B. order requiring Ford to cease distributing reprints of article giving his views on labor unions on the ground that Board's order restrains freedom of speech.
 - 18 *Mediation Board Proposed*—Senator Wagner (N.Y.) proposes three-man federal board for voluntary mediation of employer-employee disputes over wages, hours, working conditions and other questions not within the jurisdiction of N.L.R.B.
 - 19 *Wage-Hour Administrator Confirmed*—In his first statement after confirmation by Senate as Wage-Hour Administrator, Colonel Fleming warns employers to put their houses in order to avoid employee suits for unpaid wages under the requirements of Fair Labor Standards Act.
 - 21 *Ruling on Unemployment Benefits*—A referee of the Michigan Unemployment Compensation Commission decides that unemployment benefits should be paid to employees of Chrysler Corporation who were forced into idleness through the strike last year but who were not responsible for causing the strike.
- Back Pay Collected*—In first annual report by New York Regional Director of Wage-Hour Administration, it is shown that employers subject to the regional office have been compelled to pay \$362,556 in back wages to 24,877 employees.
- 23 *Smith Committee Continued*—Without debate the House votes another \$50,000 to its special committee investigating the administration of the National Labor Relations Act.
 - 26 *Written Pact Required in Collective Bargaining*—By a two-to-one decision United States Circuit Court of Appeals holds that refusal of an employer to put in writing the terms of any oral agreement

resulting from collective bargaining implies a refusal to bargain collectively within the meaning of the Wagner Act. This opinion clashes with one of the Circuit Court of Appeals of Chicago delivered in January, holding that the Wagner Act does not compel an employer to sign a written contract.

March

- 3 *Employers Call for Elections*—National Labor Relations Board discloses that since it changed the rules in July, 1939 to permit employers to seek elections when two or more unions presented conflicting claims of majority representation, a total of 52 employer petitions for such elections had been filed with the Board.
- Unemployment Payments Rise*—Social Security Board reports that unemployment benefit payments rose 34% in January. Benefit payments rose more than one-third over December to a total of \$40,952,500.
- 6 *Union Balks at No Strike Order*—New York City transit workers vote authority to call strike on city transportation lines. Action is caused by Mayor La Guardia's statement that following unification of lines and their operation by the city open shop conditions must prevail and no strike can be tolerated because it would be a strike against the government.
 - 7 *Smith Committee Recommends Amendments*—Dividing three-to-two, the Smith Committee introduces a bill in Congress containing a number of amendments to Wagner Act intended to correct conditions shown to exist by evidence brought out before the Committee. Bill referred to Labor Committee.
 - 8 *Union Housecleaning Drive in Chicago*—Managing director of organization work for A.F.L. ousts officers and impounds books of federal union in Chicago as a step toward eliminating racketeers in labor movement. Action believed to indicate further efforts to insure control of unions by responsible officers.
- Further Effort to Heal A.F.L.-C.I.O. Breach*—A.F.L. President Green calls on C.I.O. to resume peace talks, saying "no person who cares for the welfare of the American labor movement would needlessly prolong the present civil war."